

PITTSBURGH ECONOMIC QUARTERLY

Center for Social and Urban Research

OUT-MIGRATION STEADY IN REGION

INSIDE THIS ISSUE:

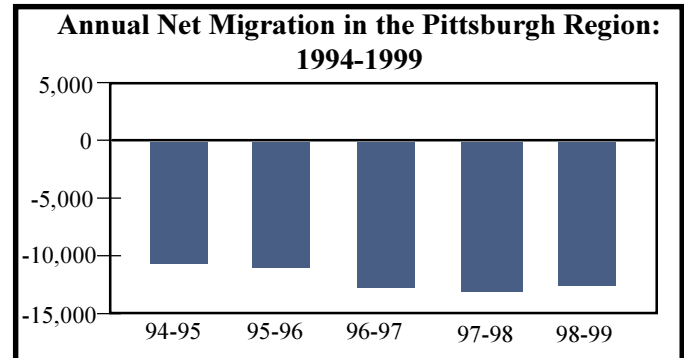
Detailed Migration Data	2
Employment Trends	4
Construction Jobs Surge	5
Unemployment Data	6

You are reading the initial issue of a new quarterly publication dedicated entirely to economic change in the Pittsburgh region. In future issues you will read about:

- Industries that are driving economic growth in the region
- The changing workforce in Western Pennsylvania
- Analysis of the latest economic and demographic data affecting the regional economy

Census data released in March 2000 show that the number of people moving out of the Pittsburgh region over the period July 1, 1998 through June 30, 1999 exceeded the number moving here by 12,641 people. This was slightly less than the level of net out-migration for the previous year, which measured 12,749. As a percentage of population, total net out-migration from the region measured just under 0.5% annually. Census estimates of net out-migration have been over 0.4% of population annually for the last four years.

Within the region,



Allegheny County lost the most with 10,824 more people moving out than moving in. The remaining five counties in the metropolitan region experienced a combined net out-migration of only 1,817 people.

The Census further breaks down net migration estimates into the movement of current U.S.

residents, called domestic migration and international immigration flows. Net domestic out-migration for the region totaled 13,480 in the most recent year while 839 net international immigrants were estimated by the Census as settling here. (See related story on page 3.)

Continued on page 2

WHAT IS PITTSBURGH ECONOMIC QUARTERLY?

This is the initial issue of a new publication to be focused entirely on the evolving economy of the Pittsburgh region. The goal of the *Pittsburgh Economic Quarterly* (PEQ) will be to highlight the important economic trends that impact the regional economy and the competitiveness of local industries. This is an

extension of the continuing work done at the Center for Social and Urban Research at the University of Pittsburgh. Each issue will include the latest data on regional employment and economic conditions. Feature articles will cover a variety of issues relating to regional industries and how they are changing

and other economic and social factors that directly impact the future of the region. PEQ will focus entirely on the local economy. Once you have had a chance to look over this initial issue, we would appreciate your feedback on how useful it is to you and what topics you think should be included in future issues.

To ensure that you continue to receive PEQ throughout the year, make sure to fill out the free subscription form on the last page of this issue. The editor of the *Pittsburgh Economic Quarterly* can be reached via email at peq@pitt.edu.

Components of Change in the Pittsburgh Regional Population

	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99
a) Net Domestic Migration	889	-1,213	-8,681	-11,605	-11,938	-13,634	-13,614	-13,480
b) International Migration	1,289	939	915	1,095	1,130	1,060	865	839
c) Births	30,547	30,150	28,881	28,514	27,262	26,639	26,359	26,659
d) Deaths	26,603	27,317	27,738	27,480	27,331	28,041	27,250	27,394
Total Change (a+b+c-d)	6,122	2,559	-6,623	-9,476	-10,877	-13,976	-13,640	-13,376
Natural Population Change	3,944	2,833	1,143	1,034	-69	-1,402	-891	-735
Net Migration (a+b)	2,178	-274	-7,766	-10,510	-10,808	-12,574	-12,749	-12,641

Source: Bureau of the Census

OUT-MIGRATION STEADY IN REGION

Continued from page 1

The rate of migration in the Pittsburgh region has experienced significant volatility over the last two decades as both local and national economic conditions have changed.

Out-migration is continuing but at a fraction of the rate of the mid-1980s. At its peak in 1984, the rate of net out-migration from the Pittsburgh region reached 50,000 annually, almost four times the level measured in the latest year.

The current rate of net out-migration is higher than the levels of the first half of the 1990s. Between 1991 and 1995, the level of net out-migration averaged just over 5,000 people per year. There are several factors for the slowdown in migration in the early 1990s. One significant

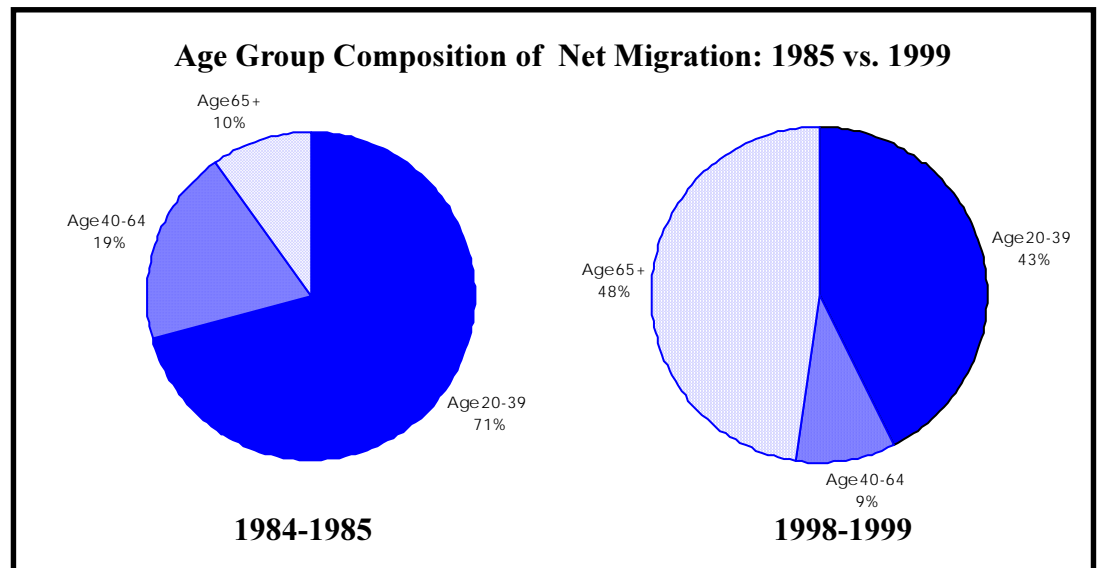
influence was a slowdown in the national economy during that time. The lower job growth in the national economy decreased the labor demand elsewhere and consequently the incentive for people to move from the region.

The composition of migration from the region has changed significantly

as well in the last 15 years. The economic factors that pushed up local out-migration in the mid-1980s primarily affected younger working age parts of the population. At the same time, there has been and continues to be out-migration of the elderly population in the region, but its rate tends to be

steady in both good times and bad. The result is that the out-migration in 1984 was dominated by working age people. Current out-migration has a significant portion coming from retirees.

Additional details on migration in the United States can be obtained on the web at www.pitt.edu/~ucsur/migration.html



Source: Pittsburgh REMI Model, University Center for Social and Urban Research

ELDERLY POPULATION CONTINUES TO DECREASE

Recent population estimates released by the Bureau of the Census confirm projections that the elderly population in the Pittsburgh region is continuing to decline. Between July 1, 1998 and June 30, 1999, the size of the population age 65 and older decreased by 3,996 from 417,252 to 413,256 for the six county metropolitan region. This

estimate is consistent with projections by the Pennsylvania State Data Center and the University of Pittsburgh that the overall size of the elderly population peaked in the region between 1995 and 1996.

Only in the last year has the relative rate of decrease in the elderly population exceeded the rate of decline in the under 65 population.

Forecasts show that the elderly population is expected to continue declining until at least 2010. The root causes of this decline are the combined pressures of mortality rates and out-migration of the elderly, which together are exceeding the size of the age cohort turning 65 annually.

The relative size of the elderly population remains

high at over 17.5% of the total population. The relatively large elderly population here is responsible for the extremely low rate of natural population in the region. Local mortality rates are expected to exceed birth rates for several more years. This will have a dampening effect on population growth for most of the next decade.

There are several impacts that a declining elderly population can be expected to have on the local economy. Overall retirement income flowing into

Continued on page 7

Pittsburgh Region Population By Age Group 1995-1999

Age Group	1995	1996	1997	1998	1999
65+	424,663	423,921	420,778	417,252	413,256
Under 65	1,961,376	1,949,850	1,938,610	1,927,887	1,918,080

Source: Bureau of the Census

HOW LOW IS INTERNATIONAL MIGRATION?

One of the major components of regional migration comes from the settlement of new international immigrants across the U.S. Census estimates of recent international immigration in the Pittsburgh region have been some of the lowest in the nation. With only 839 net international immigrants measured as settling in the Pittsburgh region be-

tween 1998 and 1999, this translates to less than 0.04% of the total regional population. This rate is less than almost every other metropolitan region in the country and is a major reason the estimate of regional net migration continues to be negative. While it may not be fair to compare Pittsburgh to the regular ports of entry such as New York,

California, and Texas, the regional rate of international immigration is significantly lower than even comparable Midwest regions, including Cleveland with 1,940 international immigrants between 1998 and 1999, or Columbus with 1,840. These levels do not compare with the rate of international immigration in some of the high-

growth areas of the country. Atlanta and San Francisco measured 11,788 and 17,199 international immigrants, respectively, in the same time period.

International immigration can have a significant impact on the total migration rate for a region. Many regions are experiencing net out-migration of current U.S. residents, called domestic net migration by the Census. Pittsburgh's measured net domestic out-migration of 13,480 (or 0.5% of population) compares favorably to Philadelphia, Cleveland, and many other regions. Even Massachusetts, which is considered to be a high technology area, is estimated by the Census to have had net domestic out-migration of

Continued on page 6

Net Migration July 1, 1998 - June 30, 1999 by County

	Domestic	Intl	County Total
Allegheny	-11,602	778	-10,824
Beaver	-1,551	-3	-1,554
Butler	1,196	37	1,233
Fayette	-425	15	-410
Washington	-104	3	-101
Westmoreland	-994	9	-985
Total Pittsburgh Region:	-13,480	839	-12,641

Source: Bureau of the Census

Pittsburgh Metropolitan Region Employment by Sector

	1999							2000				
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Mining	4,300	4,300	4,300	4,300	4,200	4,100	4,100	4,500	4,500	4,400	4,500	4,500
Construction	52,400	54,100	59,600	55,900	55,000	55,100	53,800	50,700	49,000	48,800	51,100	56,400
Manufacturing	137,500	140,600	138,400	140,700	137,900	140,300	138,200	139,800	137,500	137,200	138,200	138,300
Durable	97,900	100,600	98,700	100,600	98,100	100,200	98,300	99,800	97,700	97,500	98,400	98,200
Non-durable	39,600	39,600	39,700	39,800	39,800	39,900	39,900	40,000	39,700	39,700	39,800	40,100
TPU	69,600	69,500	67,900	67,700	69,000	69,800	69,800	70,000	69,300	69,100	69,100	69,100
Trade	260,100	263,000	260,900	261,100	259,100	260,900	264,500	267,800	256,700	255,600	256,600	257,600
FIRE	66,700	67,300	67,400	67,300	66,700	66,400	66,800	67,000	66,800	67,000	67,100	67,400
Services	391,300	391,800	390,300	388,200	391,100	391,700	391,300	389,500	382,200	384,300	386,400	393,300
Government	125,400	122,900	114,200	112,400	120,100	124,200	125,600	124,600	122,000	124,800	126,000	126,500

Source: PA Department of Labor and Industry, Pennsylvania Labor Market Information Database System (PALMIDS)

EMPLOYMENT CHANGES IN 1999

Service industries continued to expand in the region and represented the single largest growth sector in 1999. Over 35% of new jobs were created in the service sector alone. While this is a significant part of employment growth in the region, the service sector has typically been an even bigger part of employment growth over the course of the 1990s. Between 1990 and 1999, over 56% of all net new jobs came directly

from the service sector.

Wholesale and retail trade sector jobs have been the second strongest growth sector in recent years. The biggest difference between 1999 and the rest of the 1990s was the impact of construction industry employment on overall regional employment growth. Construction employment grew at a rate of over 9% in 1999, compared to an overall employment growth rate of only

1.3% (see related story on page 5). The result was that construction employment constituted a far larger part of employment growth than has been typical.

Manufacturing had essentially no growth in 1999, both beginning and ending the year at 137,500 jobs. While manufacturing is not contributing to job growth, it is also no longer decreasing. The long-term decline in manufacturing jobs in the region slowed

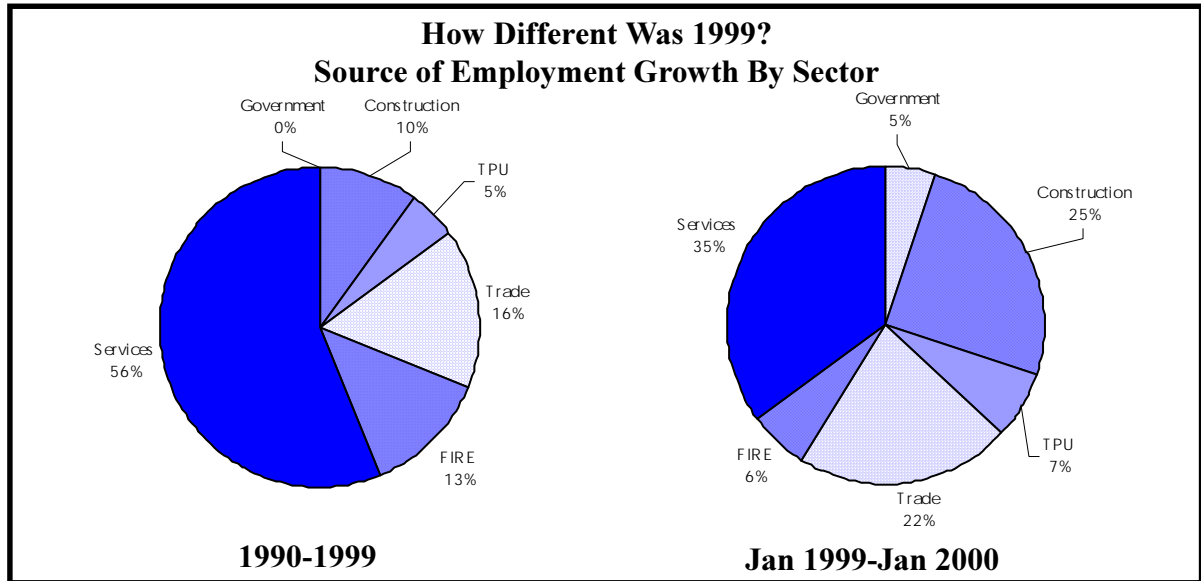
and has nearly stopped in the mid-1990s. Since 1996, overall manufacturing employment has been relatively stable.

The national economic expansion has boosted national economic output and demand on manufacturing. With the steel industry reported to be operating at near capacity levels in the U.S., it seems unlikely that there will be a major drop-off in manufacturing employment in the near term.

Pittsburgh Region Construction Industry Employment

Sub-Industry	Seasonal High/Low				% Change		Recent Months			
	Jan-98	Jul-98	Jan-99	Jul-99	Jan-00	7/98-7/99	1/99-1/00	Feb-00	Mar-00	Apr-00
General Building	10,400	12,800	11,200	14,200	12,000	10.9%	7.1%	11,600	12,300	13,100
Heavy Construction	6,000	9,000	6,100	10,200	7,100	13.3%	16.4%	7,200	7,900	9,900
Special Trades	26,100	32,100	27,100	35,200	29,900	9.7%	10.3%	30,000	30,900	33,400
Total:	42,500	53,900	44,900	59,600	49,000	10.6%	9.1%	48,800	51,100	56,400

Source: PA Department of Labor and Industry, Pennsylvania Labor Market Information Database System (PALMIDS)



CONSTRUCTION EMPLOYMENT SURGES

Construction sector employment continued to expand locally at a rate far in excess of overall job creation here. At an annual rate, construction employment in the employment region expanded by over 9% between January 1999 and January 2000. A more telling measure may be in the comparison of peak summer months when construction employment is highest. Between July 1998 and July 1999, the rate of construction job growth exceeded 10.6%. This has had a direct impact on the local economy with over 25% of all new growth accounted for by the con-

struction sector alone. This is almost 2.5 times the share of new jobs that were accounted for by the construction industry on average during the 1990s.

Employment growth is a double edged sword when forecasting the future of the local economy. Construction projects are themselves temporary, as is the employment they generate. At the same time, new construction results from new investment in the region and is an important leading indicator of future growth.

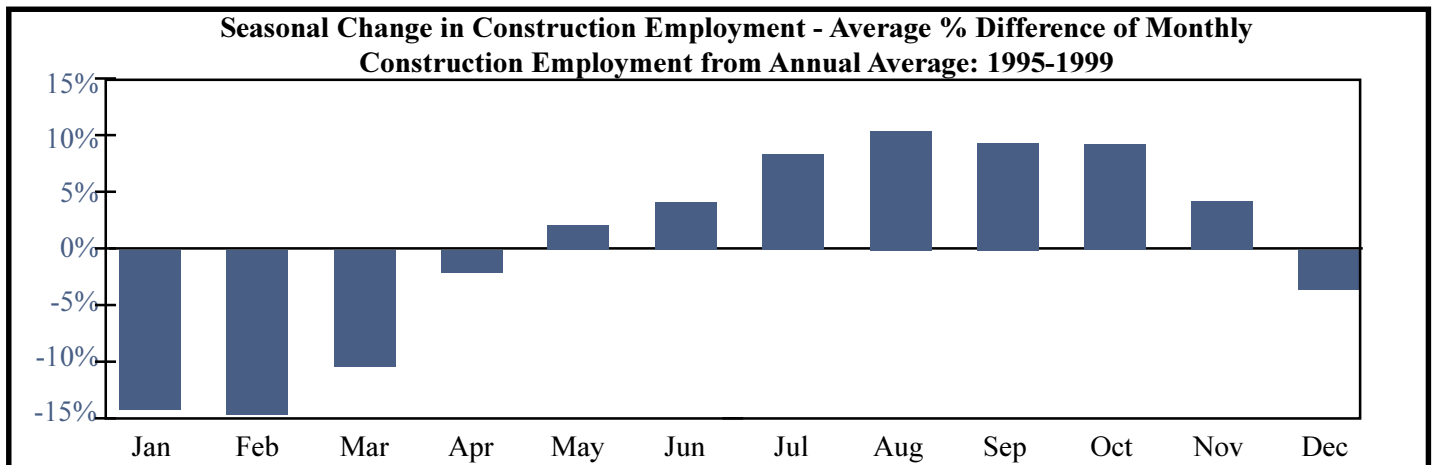
The level of employment generated by a particular project varies a great deal.

As a broad measure, one person-year of construction employment is generated for each \$100,000 of construction spending. The full-time jobs that will be generated once a project is completed can only be determined from the details of each project.

Mid-winter employment in construction for the region is higher now that it has been in a decade. The combined factors of a mild winter and several ongoing large projects, including two stadiums and new operations centers for both PNC Bank and Mellon Bank, were some of the main causes for the high winter employment

in the construction industry this year. One indication of this is that between January 1999 and January 2000, Heavy Construction employment grew by over 16%.

For the immediate future, the outlook for construction employment is positive. There are indications from local unions that in fact there does not exist a local labor force necessary to match the workforce expansion in projects already underway. The demand for local construction jobs has probably exhausted the local labor supply with particular shortages in skilled occupations.



Unemployment Rate Heading Lower

Preliminary unemployment rates for the Pittsburgh region dropped to a seasonally adjusted 3.7% in April. This represents the lowest seasonally adjusted level of employment in three decades. All individual counties in the region had significantly

lower unemployment rates compared to April 1999, with Beaver County having the largest drop.

Low unemployment rates may be surprising when compared to the low overall rate of employment growth in the region measured at 1.3% in 1999.

Employment growth is only one factor that affects the regional unemployment rate. Out-migration of workers tightens the local labor supply which would push down unemployment even if employment growth were stagnant.

The region's non seasonally adjusted unemployment rate reached a 30-year low of 3.5% in December 1999. As employment expands heading into summer, it can be expected that the overall unemployment rate will continue to decrease. The regional construction industry alone has increased employment an average of 11,000 between January and July

each year since 1995. If employment growth is comparable this year, the summer months will likely see a new multi-decade low unemployment rates for the region.

Strong labor demand in the region will have a bigger impact on counties with the highest unemployment levels. As regional unemployment levels decrease, one consequence is that the disparity in economic conditions across counties will continue to converge. In April 1997, the difference between the highest and lowest county unemployment levels in the region was 4.4% compared to 2.9% in April 2000.

	Regional Unemployment Rates By County				
	Recent Months		Recent Years		
	Apr-00	Mar-00	Apr-99	Apr-98	Apr-97
Allegheny	3.2	3.7	3.7	4.0	4.5
Beaver	3.7	4.3	4.9	4.6	5.1
Butler	3.4	4.3	4.0	4.3	5.1
Fayette	6.1	7.7	7.0	6.9	8.9
Washington	4.0	5.0	4.9	5.0	5.5
Westmoreland	4.2	5.1	4.8	5.0	5.5
Pittsburgh MSA	3.6	4.3	4.3	4.4	5.0
United States	3.9	4.1	4.3	4.3	5.0

Source: PA Dept. of Labor and Industry

International Migration

Continued from page 3

8,656 in the last reported year. The difference is that Massachusetts also attracted 14,939 international immigrants in the same period, which more than made up for the loss from domestic migration. In many ways, it is the complete lack of international migration that is a major cause of the continuing negative migration rate in total for the region.

The extremely low level of international immigration in the Pittsburgh region is surprising in many ways. There is a rich ethnic diversity in Pittsburgh that is derived from significant international immigration. However, the ethnic groups

that are strongest here arrived early in the 20th Century, if not earlier. Recent U.S. immigration has been predominantly Hispanic, which Pittsburgh has never attracted in any significant numbers.

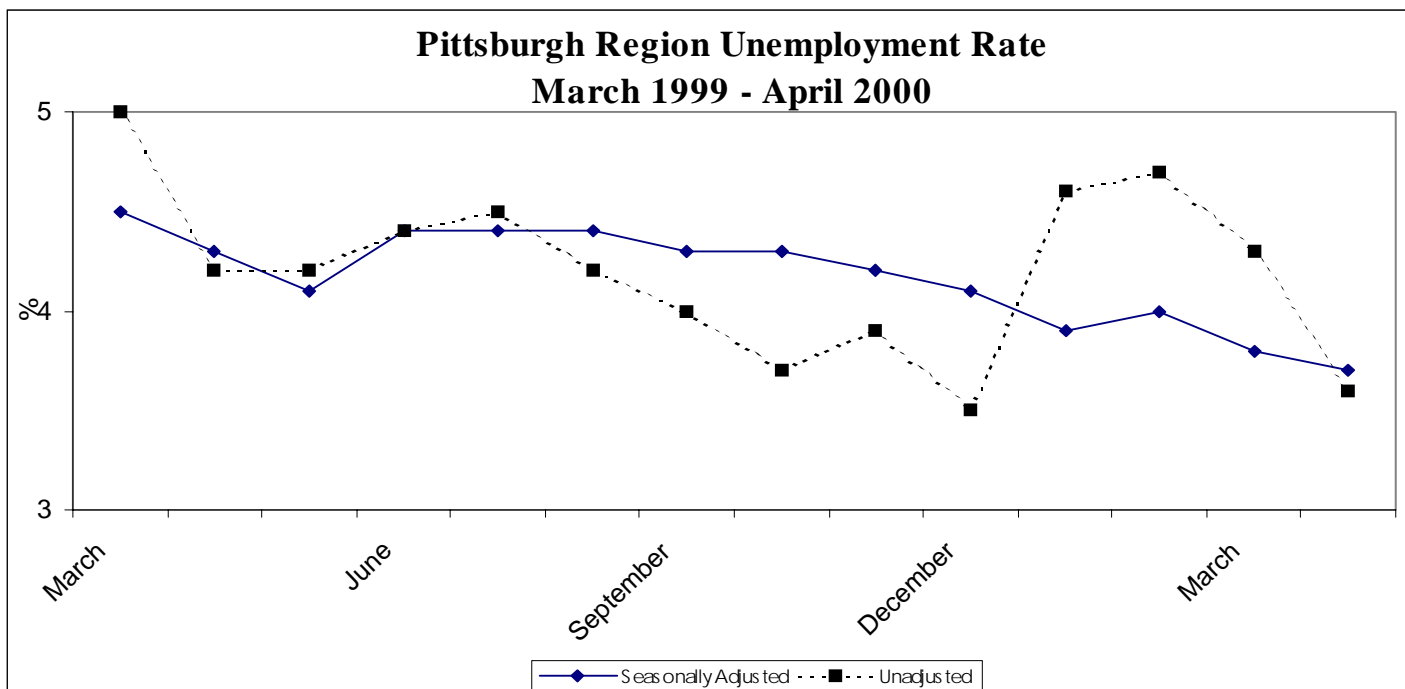
Low international immigration is also surprising when the demographics of local institutions of higher education are examined. Local universities have several thousand international students studying here at any given time. It is important to note that students here on the most common forms of educational visas are not counted at all in the international immigration numbers computed by the Census. Since stu-

dents here are considered temporary residents, they do not get considered as migrants to the region.

Some foreign students here do convert their visa status and become permanent residents of the United States. This group should be counted as new immigrants and are counted in the international immigrant data each year. The measurement of this population is dependent on the processing of visa applications and reporting by the Bureau of Immigration and Naturalization Services (INS). A possible issue that could be distorting this particular data is the backlog on permanent residency applications at the INS. While

people are awaiting a change in their visa status, they will not be included in annual population estimates until the paperwork is completed. Taking into account the delay in INS procedures it is unlikely that any significant changes in the flow of international immigration which has occurred in the last several years would yet show up in current migration data.

The actual computation of total international immigration is made even more difficult by the lack of exact numbers for illegal immigration. However, there is little evidence that Pittsburgh is a major destination of illegal immigrants.



Elderly Population Decreasing

Continued from page 3

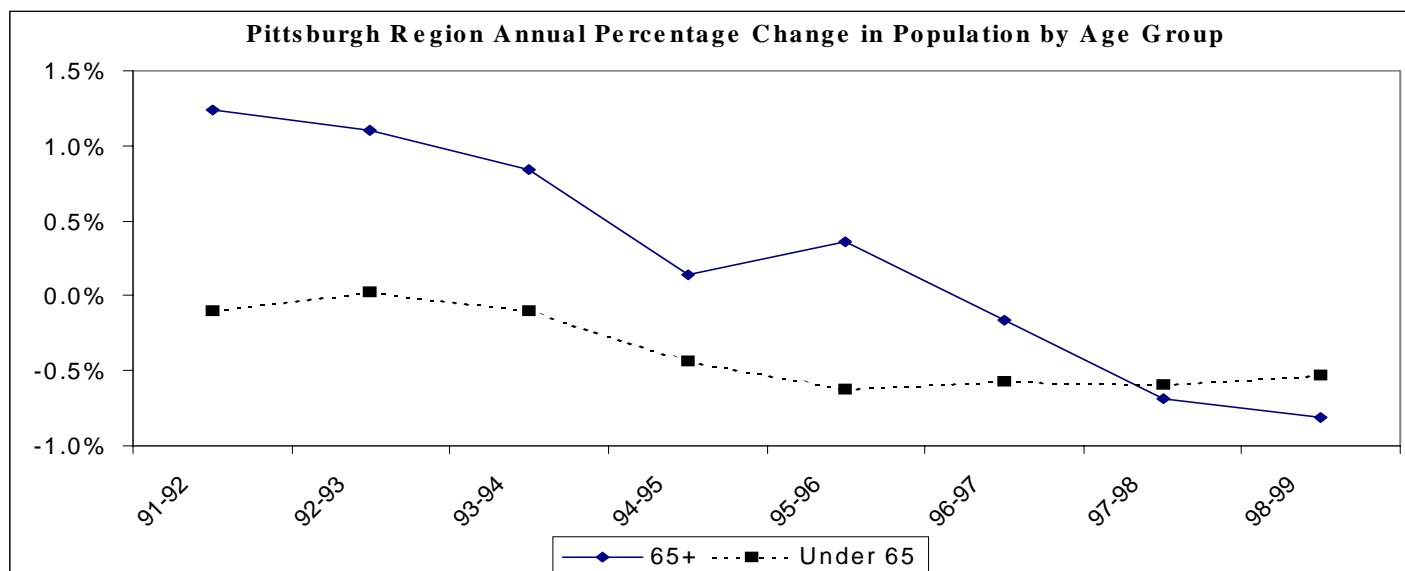
the region will likely fall by several billion dollars before the end of the decade. The strength of local labor demand may mitigate the overall impact on the local economy, but the service and trade industries that most directly service

the elderly can be expected to see significant decreases in revenues and employment. To a degree, this will free up workers for industries that are currently experiencing labor shortages. This will only be true for workers and skills that can easily be transferred to

other industries.

The decline in the local elderly population puts Pittsburgh in a unique situation among regions in the U.S. Overall, the national elderly population is increasing as the large baby boom population begins to reach retirement age over

the next decade. The large-scale out-migration that occurred here in the 1980s was very age-specific and did not affect as much the older age cohorts in the local population. What the region was left with was a much smaller baby-boom age cohort than is typical across the country.



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